

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MBIA INSURANCE :
CORPORATION AND WELLS :
FARGO BANK, N.A. (f/k/a :
WELLS FARGO BANK :
MINNESOTA N.A.) AS :
TRUSTEE OF SFC GRANTOR :
TRUST, SERIES 2000-1, SFC :
GRANTOR TRUST, SERIES :
2000-2, SFC GRANTOR :
TRUST, SERIES 2000-3, SFC :
GRANTOR TRUST, SERIES :
2000-4, SFC GRANTOR :
TRUST, SERIES 2001-1, SFC :
GRANTOR TRUST, SERIES :
2001-2, SFC OWNER TRUST :
2001-I, AND SFC GRANTOR :
TRUST, SERIES 2001-3, :

Plaintiffs/Counterclaim:
Defendants, :

vs. :

ROYAL INDEMNITY COMPANY, :
Defendant/Counterclaim :C.A. NO.
Plaintiff. :02-1294-JJF

ROYAL INDEMNITY COMPANY, :
Third-Party Plaintiff, :

vs. :

ANDREW N. YAO, STUDENT :
LOAN SERVICING LLC, :
STUDENT LOAN ACCEPTANCE II :
LLC, STUDENT LOAN :
ACCEPTANCE III LLC, :
STUDENT LOAN ACCEPTANCE :
III LLC, STUDENT :
LOAN ACCEPTANCE V LLC, :
STUDENT LOAN ACCEPTANCE :
VIII LLC, STUDENT LOAN :
ACCEPTANCE IX LLC, SFC :
FINANCIAL LLC I, SFC :
FINANCIAL LLC II, SFC :
FINANCIAL LLC VI, SFC :
FINANCIAL LLC VII, :

TRACK(II)WITNESS:
DENNIS LAFFERTY
VOLUME I

DATE:

Third-Party Defendants.: OCTOBER 11th, 2006

1 VIDEO OPERATOR: We're on the 10:09:16
2 record. This is a videotaped deposition for
3 the United States District Court for the
4 District of Delaware. My name is Dennis
5 Solares, I'm the videotape operator. I'm 10:21:16
6 employed by Veritext New York. The court
7 report is David Walsh.

8 The caption for today's case
9 is as follows: It's a multi caption case.
10 The first caption being MBIA Insurance 10:21:26
11 Corporation, et al versus Royal Indemnity
12 Insurance Company. The case number is 021294
13 (JJF). All other captions will be reflected
14 on the stenographic record.

15 The videotape deposition is 10:21:41
16 taking place at 1600 Market Street,
17 Philadelphia, Pennsylvania. All counsel will
18 be reflected on the stenographic record. The
19 deponent for today is Dennis Lafferty.
20 Today's date is October 11th, 2006. The 10:21:51
21 current time is 10:21 a.m.

22 The court reporter, please
23 swear in the witness.

24 - - -

25 DENNIS LAFFERTY, having been 10:21:58

1 duly sworn, was examined and testified as 10:21:58
2 follows:

3 - - -

4 EXAMINATION

5 - - - 10:21:58

6 BY MS. ALLE-MURPHY:

7 Q. Good morning. My name is Linda
8 Alle-Murphy from the Law Firm of Schnader
9 Harrison Segal and Lewis. We represent Pepper
10 Hamilton and Rod Gagne in this litigation. 10:22:18
11 I'm going to ask you some questions.

12 Could you please state your name, your
13 full name, for the record.

14 A. Dennis Ray Lafferty.

15 Q. And your address? 10:22:29

16 A. 7348 Barham Hollow Drive, Wake Forrest,
17 North Carolina.

18 Q. Have you ever been deposed before?

19 A. I have.

20 Q. And on what occasion was that? 10:22:40

21 A. By that you mean?

22 Q. In what matter were you deposed.

23 A. I had worked for Novell and Novell was
24 involved in a lawsuit.

25 Q. And what was the lawsuit about? 10:22:57

1 we're going off at 10:28. 10:28:53

2 We are back on the record,
3 the time is 10:29.

4 THE WITNESS: Can you repeat
5 your last question. 10:29:46

6 BY MS. ALLE-MURPHY:

7 Q. Where did you work after you left
8 Fountain Technologies?

9 A. Student Marketing Services.

10 Q. When did you begin your work at Student 10:29:53
11 Marketing Services?

12 A. That would have been roughly August of
13 2001.

14 (Whereupon, the court
15 reporter marked Exhibit 278 (II) for 10:30:03
16 identification.)

17 BY MS. ALLE-MURPHY:

18 Q. I'm going to mark exhibit -- are we up
19 to 278. This is an e-mail dated July 30th,
20 2001 from Donna Rudnitsky to all managers with 10:30:49
21 an attached memo from Perry Turnbull regarding
22 Dennis Lafferty.

23 The first paragraph says, "on Monday,
24 July 30th, 2001, Dennis Lafferty is joining
25 Student Marketing Services in the capacity of 10:31:06

1 director of Student Services." 10:31:08

2 Did I read that correctly?

3 A. Yes.

4 Q. Does this confirm or refresh your
5 recollection as to the date that you began 10:31:15
6 work at Student Marketing Services?

7 A. That confirms. As I said, roughly
8 August 2001.

9 Q. Look at the second paragraph please. It
10 says, "in his role, Dennis will be responsible 10:31:29
11 for developing and implementing several new
12 marketing initiatives including the STAR
13 program, as well as providing leadership and
14 support to the Student Services Department."

15 Did I read that correctly? 10:31:43

16 A. Yes.

17 Q. What was the STAR program?

18 A. I don't recall with any specific
19 knowledge what the STAR program entailed.
20 We -- as soon as I got there we -- things 10:31:57
21 were -- how would I say it? There was -- I
22 wouldn't say there was confusion. There
23 really wasn't that. There was more -- it was
24 a period where they were trying to develop new
25 programs and so forth. 10:32:16

1 when I say SFC, I also mean SMS and the 11:31:14
2 successor organization ELS, who is responsible
3 for running the day-to-day operations of SFC?

4 A. Who is responsible for running the
5 day-to-day operations, Perry Turnbull. 11:31:32

6 Q. Was Rod Gagne responsible for running
7 the day-to-day operations of SFC?

8 A. Not that I'm aware of. I have no direct
9 knowledge of anything that he has done within
10 SFC. 11:31:47

11 Q. Based on your experience with the SFC
12 entities, who is responsible for making the
13 business decisions at SFC?

14 A. It would -- please define business
15 decisions. 11:32:03

16 Q. Decisions pertaining to the strategic
17 direction of the company?

18 A. Perry Turnbull, Andrew Yao.

19 Q. Based on your experience with SFC, who
20 is responsible for setting the interest rates 11:32:18
21 on student loans?

22 A. I don't know.

23 Q. Based on your experience with SFC, who
24 decided on the interest rates paid to
25 investors? 11:32:32